

**Department of
Veterans Affairs**

Memorandum

Date: July 14, 2014

From: Director, Financial Integrity Division (52BA)

Subj: Review of VHA's Alleged Lack of Cost Effectiveness of Wounded Warrior Contracted Health Care Services

To: Assistant Inspector General for Audits and Evaluations (52)

Thru: Deputy Assistant Inspector General for Audit and Evaluations (52B)

1. On February 13, 2014, The VA Office of Inspector General, Office of Audits and Evaluations received allegations from a complainant that the Texas Valley Coastal Bend Healthcare System (TVCBHCS) wasted taxpayer funds by prepaying for inpatient and emergency room health care services. The complainant specifically alleged that TVCBHCS prepaid \$162 million to contracted hospitals, who kept \$106 million as profit after only \$56 million was reportedly expended.
2. We did not find evidence to substantiate that TVCBHCS prepaid for contracted health care during our review of the contracted providers' contracts and contract modifications from 2009 through 2014. We found that contract terms required payment in arrears for health care claims based upon actual services rendered at the designated percentage of Medicare reimbursement rates.
3. We interviewed the Contracting Officer, Contracting Officer's Representative, and a VISN 17 Fee Basis Manager to determine if prepayments of health care services were made or if any contract modifications were made that allowed for prepayment of health care services. All stated that prepayments did not occur. In addition, we reviewed all invoices and payments made through these contracts, which also did not reveal any prepayments.
4. During a phone interview on May 23, 2014, the complainant no longer believed that TVCBHCS prepaid for \$162 million in contracted health care services. Shortly after submitting the complaint, the complainant thought that the issue had been resolved after contacting and conversing with (b) (3) IG ACT [REDACTED] convinced the complainant that the allegation was inaccurate. .
5. Accordingly, we have no recommendations for improvement and are closing this review without further action. If you have questions or wish to discuss these issues, please contact me at (b) (6) [REDACTED].

Murray Leigh
Director—Financial Integrity Division (52 BA)